

Reality of the New Post Office

It's unfortunate that since the Postal Service sent Human Resources to Greensboro NC, Postal Employees are on their own for getting answers to critical questions regarding their retirement and in service options.

Hopefully this article will help you sort out your TSP options at retirement.

Your TSP Retirement Choices

When you are ready to retire, you have several TSP retirement choices. You can...

1. Leave your money in the TSP
2. Take monthly TSP withdrawals
3. Annuitize your TSP with Met-Life
4. Transfer your TSP money to an IRA
5. In-Service withdrawal and transfer to IRA

Let's take a closer look at each option...

1. Leave Money in the TSP

You can leave the money in your Thrift Savings Plan account until April 1st of the year after you turn 70 ½. After that, you must start taking distributions.

If you don't need the money right away, why not leave it invested?

Pros – Your money can continue to be invested and may grow in value over time.

Cons - You are limited in your investment choices – you can only invest in the specific funds in the TSP.

2. Monthly TSP Withdrawals

You can get a fixed dollar amount from your TSP each month in retirement.

The money is taken out of your TSP retirement account, and the withdrawals will continue as long as your money lasts.

If you choose this option, TSP will place an order to sell however many shares are required to provide you with your monthly withdrawal.

Pros – You get a predictable monthly income as long as your money lasts.

Cons – There is no guarantee how long you will continue to receive monthly withdrawals. If your investments drop in value, you may have to make lifestyle changes.

3. Annuitize your TSP with Met-Life

You can also annuitize your Thrift Savings Plan account. This means you will 'turn in' your entire TSP account balance to get regular - usually monthly - payments for the rest of your life.

The amount that you receive each month will depend on the total value of your TSP retirement account when you annuitize it.

What many people don't know is that when you annuitize your TSP, you are actually purchasing an annuity through Met-Life.

The insurance company, Met-Life, takes the total value of your TSP and agrees to send you a check for the rest of your life.

If you live to 120, you get a check till 120. But, if you do not select survivor benefits, and you die two days after annuitizing, the money is gone.

Pros – You get a guaranteed monthly income for the rest of your life.

Cons – This may not be best value for your money. You may get more money by buying an annuity from a different company, or get the same amount per month, but not give up your entire TSP.

4. Transfer TSP to an IRA

For most people, transferring their TSP to an IRA has the most benefits and allows them the most flexibility.

In a way, when you choose this option – you get all the other options too.

When your money is in an IRA, you can...

- Leave it there until April 1st of the year following you turn age 70 ½
- You can take monthly withdrawals
- You can purchase an annuity (from Met-Life or other companies)

- Or you can invest according to your needs

Once your TSP retirement money is in an IRA, you have a much wider menu of options on how to invest it.

You can also buy annuities inside of an IRA, but **now you can comparison shop** and choose the annuity or other investments that are the best for you.

Be mindful of the company you choose to open an IRA with, because it affects your investment options. If you open an IRA with an insurance company, you will have more choices than if your money was still at TSP, but you may still be limited to what choices you can make.

If you open your IRA with an independent agent or broker – you will have the most choices available to you.

Independent firms and brokerage companies are not required to sell you a particular investment or insurance contract. An independent firm will be able to do the best comparison shopping when it comes to diversifying your investments.

When the transfer is done correctly, 100% of your TSP retirement money goes to your IRA. You will not have to pay taxes or penalties at the time of the transfer.

You will still have to pay taxes on the money when it comes out (just like you would with your TSP) since you used pre-tax dollars to invest.

Pros – You get more choices when your money is in an IRA.

Cons – You need to make sure the transfer is done correctly – otherwise you could be required to pay a significant amount in taxes.

6. In Service Withdrawal and transfer to IRA

This option will not apply to everyone. This option is only available for employees who are 59 ½ or older and still working. At 59 ½, an active employee can transfer all or part of their TSP to a private IRA with no tax consequences and continue contributing to the TSP, still getting the match if you are a FERS employee.